



# **BWXT Y12, L.L.C. and UT-Battelle, L.L.C. Savings Program**

## **“The Winds of Change and A Solid Foundation”**

**2000-The Year in Review**

## **2000-The Big Picture**

**Two new participating companies in a new multiple-employer plan environment. How's that for significant change? Throw in the Y2K concerns, a conversion to share value accounting, the new Internet access and the new statement format and our plan had an exciting and interesting year. And then there was the stock market ...**

**Are the winds of change beginning to blow?**

**Just a brief discussion on the change in plan organization. Prior to April 1, 2000, the plan was a single employer plan sponsored by Lockheed Martin Energy Systems, Inc. and having participation from our sister company, Lockheed Martin Energy Research. With the change in contractors and the new relationships, the plan was reorganized as a multiple employer plan with two participating employers, Lockheed Martin Energy Systems, Inc. and UT-Battelle, LLC, the new contractor at the laboratory. With the change in contractors on November 1, 2000, BWXT Y12, L.L.C. replaced LMES as a participating employer. Just to make it a little more complicated, we changed the name of the program to the Savings Program for Employees of Certain Employers at the United States Department of Energy Facilities at Oak Ridge, Tennessee. I just call it the Savings Program, thank you. With all that said and done, not much changed for the individual participant. With the exception of changing to "share value" accounting and changing the investment fund line-up (changing to some bond mutual funds, adding a new international fund and a small-mid capitalization fund) there were no changes in the rules for participation, vesting, contributions and withdrawals. Please look on the Benefits Management Homepage for a complete explanation of the change to share value accounting and how it affects your payment of administrative fees.**

Let's take a look at participation.

	12/31/97	12/31/98	12/31/99	12/31/00
Actives-Fully Vested	13,579	11,800	8,546	7,578
Actives-Non Vested	<u>572</u>	<u>362</u>	<u>146</u>	<u>187</u>
Total Participating	<u>14,151</u>	<u>12,162</u>	<u>8,692</u>	<u>7,765</u>
Separated-Receiving Benefits	360	945	970	1,054
Separated-Deferred Distributic	<u>2,990</u>	<u>2,328</u>	<u>2,165</u>	<u>2,144</u>
Total Separated Participants	<u>3,350</u>	<u>3,273</u>	<u>3,135</u>	<u>3,198</u>
Total Active Participants	14,151	12,162	8,692	7,765
Total Separated Participants	<u>3,350</u>	<u>3,273</u>	<u>3,135</u>	<u>3,198</u>
Total Participants	<u>17,501</u>	<u>15,435</u>	<u>11,827</u>	<u>10,963</u>

Although the plan total population is decreasing, we are pleased that the total participation as a percentage of the eligible workforce is increasing. This means more of you are taking advantage of what may be the last best individual tax advantaged program.

Remember, participation in the plan is available to all employees. As soon as our payroll systems notify our record keeper, you are sent a welcome letter and assigned a PIN. You are in the plan and can participate by simply making a contribution election. Even if you chose not to participate before, you are still eligible to participate in the plan. Maybe today is a good time to start.

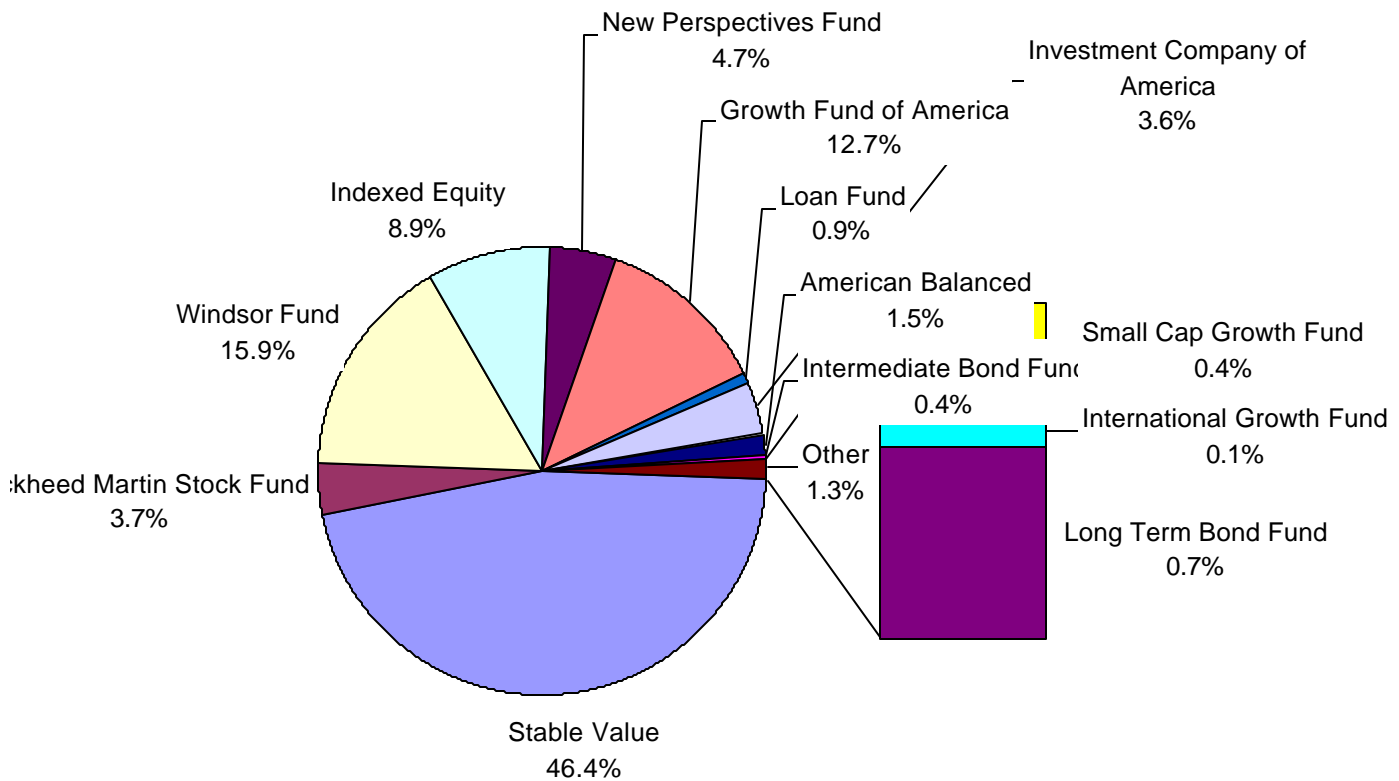
## **What about the dollars invested?**

### **The Savings Program**

<b>Investments</b>	<b>12/31/00</b>	
<b>Stable Value</b>	<b>\$474,186,447</b>	<b>46.38%</b>
<b>Lockheed Martin Stock Fund</b>	<b>\$37,913,389</b>	<b>3.71%</b>
<b>Windsor Fund</b>	<b>\$162,858,550</b>	<b>15.93%</b>
<b>Indexed Equity</b>	<b>\$91,078,351</b>	<b>8.91%</b>
<b>New Perspectives Fund</b>	<b>\$47,783,520</b>	<b>4.67%</b>
<b>Growth Fund of America</b>	<b>\$129,821,934</b>	<b>12.70%</b>
<b>Loan Fund</b>	<b>\$9,023,658</b>	<b>0.88%</b>
<b>Investment Company of America</b>	<b>\$37,071,005</b>	<b>3.63%</b>
<b>American Balanced</b>	<b>\$14,924,303</b>	<b>1.46%</b>
<b>Intermediate Bond Fund</b>	<b>\$4,292,575</b>	<b>0.42%</b>
<b>Small Cap Growth Fund</b>	<b>\$4,446,410</b>	<b>0.43%</b>
<b>International Growth Fund</b>	<b>\$1,476,925</b>	<b>0.14%</b>
<b>Long Term Bond Fund</b>	<b>\$7,601,905</b>	<b>0.74%</b>
<b>Totals</b>	<b>\$1,022,478,972</b>	<b>100.00%</b>

**If we look at the allocation in a picture, we see that we remain heavily committed to the Stable Value Fund, but as it happened last year, the Stable Value Fund continues to decrease as a percentage of the total. This is due to both decreased elections to the Stable Value Fund and to the higher contribution rates to other investment alternatives.**

## Allocation at 12/31/2000



**At first glance, there doesn't seem to be much change. The total fund is essentially the same as last year, but totals can be deceiving.**

First, the program was not static during the year. You, the participants, continued to contribute a significant portion of your compensation to the plan.

<b>Sources</b>	<b>2000 Contributions</b>
<b>Employee Pre-Tax Basic</b>	<b>\$18,186,522</b>
<b>Employee Pre-Tax Supplemental</b>	<b><u>\$12,073,179</u></b>
<b>Total Employee Pre-Tax</b>	<b><u>\$30,259,701</u></b>
<b>Employer Match Pre-Tax</b>	<b><u>\$12,205,487</u></b>
<b>Total Pre-Tax</b>	<b><u>\$42,465,188</u></b>
<b>Employee After-Tax Basic</b>	<b>\$4,706,227</b>
<b>Employee After-Tax Supplemental</b>	<b><u>\$4,279,501</u></b>
<b>Total Employee After-Tax</b>	<b><u>\$8,985,728</u></b>
<b>Employer Match After-Tax</b>	<b><u>\$3,140,679</u></b>
<b>Total After-Tax</b>	<b><u>\$12,126,407</u></b>
<b>Rollover</b>	<b><u>\$358,711</u></b>
<b>Totals</b>	
<b>Employee</b>	<b>\$39,245,429</b>
<b>Employer</b>	<b>\$15,346,166</b>
<b>Rollover</b>	<b><u>\$358,711</u></b>
<b>Totals</b>	<b><u><u>\$54,950,306</u></u></b>

The contributions were not the largest increase in the program for the year. Once again, we saw this last year as well; earnings on the funds were greater than contributions. Now, that is not the case for every investment alternative, but it is true for the Savings Program in total. We will visit performance later, but let's just look at gross earnings dollars.

<b>Investments</b>	<b>Earnings</b>
Stable Value	\$30,720,894
Lockheed Martin Stock Fund	\$15,129,755
Windsor Fund	\$21,460,743
Indexed Equity	-\$9,308,984
New Perspectives Fund	-\$3,875,598
Growth Fund of America	\$4,650,865
Loan Fund	\$828,599
Investment Company of America	\$1,330,412
American Balanced	\$1,877,366
Intermediate Bond Fund	\$404,920
Small Cap Growth Fund	-\$1,290,825
International Growth Fund	-\$241,356
Long Term Bond Fund	<u>\$1,004,174</u>
Totals	<u><u>\$62,690,965</u></u>

That is correct, some of the earnings numbers are negative. For the first time since we switched to CitiStreet, the annual returns for more than one of the funds were negative. Are the winds of change beginning to blow? This is one indication of the "risks" associated with investing. There is no guarantee that the earnings will always be positive. What role risk might take in your investment decisions will be examined later when we look at fund performance.

Other activity in the funds included those amounts withdraw and distributed and amounts transferred to other Savings Programs.

### Savings Program

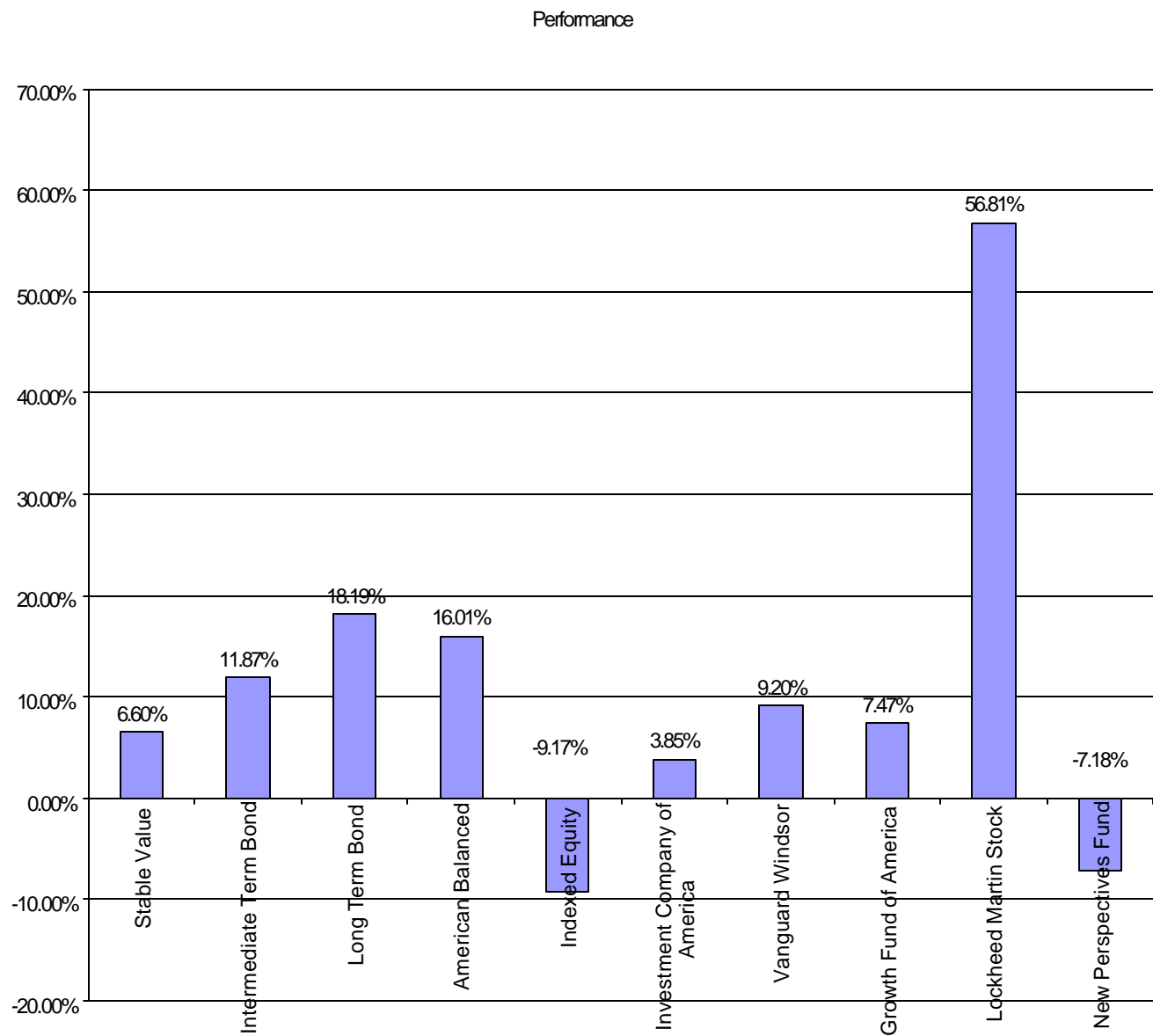
Investments	Terminations	Withdrawals	Rollovers and Transfers to Other Plans
Stable Value	-47,333,243	-11,008,142	-9,500,031
Lockheed Martin Stock Fund	-1,605,581	-278,994	-364,948
Windsor Fund	-12,779,364	-2,394,439	-2,900,508
Indexed Equity	-7,394,807	-1,409,628	-2,139,388
New Perspectives Fund	-2,958,329	-646,756	-506,851
Growth Fund of America	-7,372,013	-1,591,969	-1,067,525
Loan Fund	-435,366	-65,319	-772,576
Investment Company of Amer	-2,126,554	-470,562	-310,951
American Balanced	-852,111	-146,087	-240,536
Intermediate Bond Fund	-255,582	-106,046	-57,057
Small Cap Growth	-24,011	-14,445	
International Growth	-26,339	-11,924	
Long Term Bond Fund	-432,822	-180,271	-89,861
Totals	<u>-83,596,122</u>	<u>-18,324,582</u>	<u>-17,950,232</u>

As you can see, the total portfolio is the result of several decisions made by our participants, namely, how much to contribute, how much to take out, etc. By contrast, only a part of the change is due to earnings. But like most investors, our participants are particularly concerned as to whether their investments grew in value.



## So Let's Look at Performance

First, look at total return for a year.



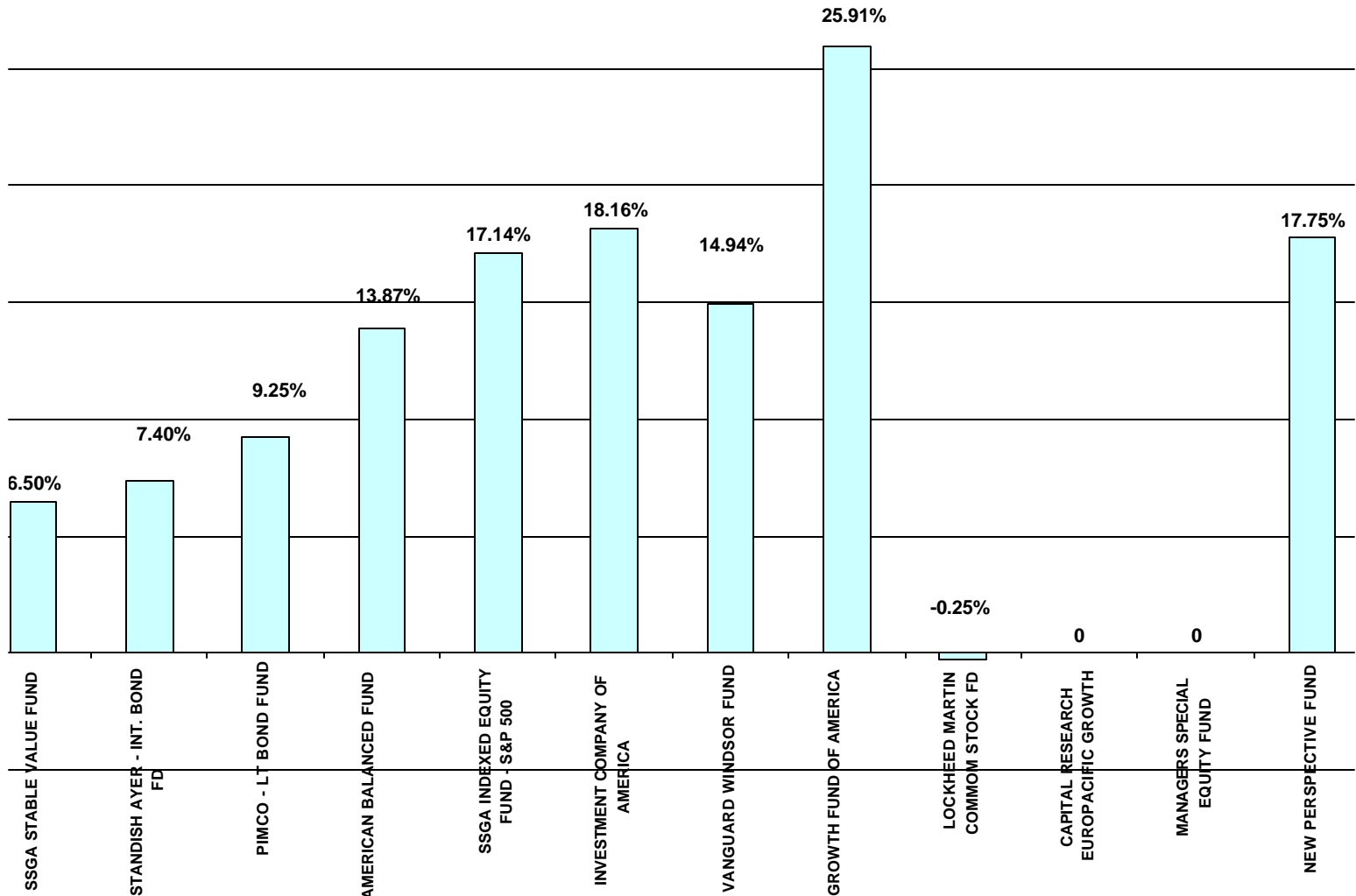
**How did you do? There isn't enough information on the slide to get anywhere close to answering that question. The performance shown here is just a snapshot of a particular twelve-month period. By itself, the chart does little to explain how the funds have performed in the long term. By itself the chart offers little to analyze between funds, or across asset classes, or by styles, etc. One year of earnings doesn't help to make too many decisions. Remember; this is a Savings Program. It is designed to accumulate funds and earnings over an extended period of time and to have those contributions and earnings serve as a source of retirement income for a long period of time. If a typical work life is 25 years and a typical retirement period is 25 years, then only looking at 1/50 of the period seems like a short sighted approach. A better question would be, how did these returns help me to reach my retirement goals?**

**How did your choice of investments deal with the impact of some declines in the equity funds? If you had all equity investments, I am sure it had an impact. But once again, this is only a twelve-month period.**

**How have the investments performed over time? We don't have a long history in our own savings program. Shown below is the annualized performance since we first started measuring it.**

## Annualized

Effective Annual Rate of Return Since July 1996



What does this tell me? Only that there are differences in rates of return. Some funds did better for the longer period than they did for the twelve-month, some did worse. Will these differences always be the same? No. Investment earnings are not constant. With the possible exception of the Stable Value Fund, most of our investment funds have earnings that fluctuate over time. So what good does it do to look back at what funds have done? It is the only perspective that we have. We cannot predict the future with any degree of certainty so we are forced to look at the history. Do historical results guarantee future performance? No.

**So, while earnings are an important part of our overall plan, just looking at earnings is not enough. We really need to evaluate the funds in terms of how they are helping us meet our objectives.**

**How much we save and where we save it makes all the difference. Our savings foundation is built with substantial savings over an extended period of time using some form of asset allocation that allows us to meet our retirement goals. How firm is your foundation? If you save enough, you don't need much in the way of performance to meet your objectives. If you don't save enough, you rely more on performance to meet your objectives and may need to invest in higher risk investments. Remember, higher return has historically come at the price of higher risk. Asset diversification allows you to distribute the risk. Asset allocation is the technique of choosing the best combinations of investments for you.**

**One of the best additions we made to the plan this year was the Internet access. I am not talking about the Savings Plan Home Page on the BWXT and UTB Internet sites, but rather the opportunity for each participant to access their own account via the Internet. If you would like to start your access, see the instructions on the Benefits Management Home page or call the toll free number (1-888-ISAVERIT, 1-888-482-8348.) The interactive calculators are extremely beneficial in allowing us to determine the amount we need to retire, determine how we expect our investments to grow and to see how well we are accomplishing our objectives.**

**The financial press has not been kind when commenting on our savings and planning efforts. One of the comments posted in a leading journal read as follows: "For many of us, the problem will be that we have not accumulated enough to meet our retirement objectives, that we realistically cannot save sufficient assets between now and retirement to allow us to meet those objectives and the only solution may be to place our investments in higher risk categories in hopes of achieving our goals." Suffice it to say, save more.**

**To sum it up, performance is a difficult concept. It is only part of the "solid foundation" we need when the winds of change begin to blow.**

**The secrets remain the same:**

**Save all you can.**

**Choose a set of investments that will provide a rate of return that will allow your savings to grow at the rate necessary to meet your retirement needs. Invest it according to your retirement needs, not according to the changes in the market.**

**Leave it alone. Keep your investments in the plan and earning return for you.**

**Get all the information you can. Use the resources on our WEB page and available through CitiStreet (1-888-ISAVEIT.) Do some personal financial planning. Buy a book or a piece of software and construct your plan. Get some advice from a professional. Go surf the Net, it is chock full of interesting and helpful articles.**

**Do you have a question? Give us a call 423-574-9564 or send an e-mail to [ik5@y12.doe.gov](mailto:ik5@y12.doe.gov).**